

**CITY OF LANGLEY**  
**Island County, Washington**  
**January 1, 1992 Through December 31, 1992**

---

**Schedule Of Findings**

---

1. Expenditures Of The City Should Be Limited To Appropriations

Our review of budget compliance revealed that city officials allowed expenditures to exceed appropriations for the 1992 fiscal year. Expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Difference</u>
City Hall	\$95,000	\$262,016	\$167,016
Water Bond 88	14,193	14,729	536
Water Reserve	25,000	34,624	9,624
GO 80 Guaranty	-0-	13,585	13,585

Cities are prohibited from incurring expenditures in excess of budget appropriations by RCW 35A.33.120, which states in part:

... the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year . . . .

The excess expenditures resulted from an oversight of city officials in providing budget authority to expend the proceeds from interfund loans and the failure to properly monitor budgets.

A similar condition was reported in our 1991 audit Report No. 54711.

We recommend that city officials limit expenditures to appropriations.

2. The City Officials Should Not Allow Funds To Have A Deficit Net Cash And Investment Balance

Our audit of ending net cash and investment balances revealed that city officials allowed several funds to have a deficit net cash and investment balance at December 31, 1992. The funds and the ending deficit net cash and investment balances follow:

<u>Fund</u>	<u>Amount</u>
Arterial Street	\$(64,880)
City Hall	(29,516)
Cemetery	(3,015)
Water Bond 88	(1,930)
Equipment Rental	(717)

The operation of these funds with deficit cash balances essentially constitutes loans to these funds from the other funds of the city without any payment of interest.

RCW 43.09.210 states in part:

. . . no department, public improvement, undertaking, institution, or public service industry shall benefit in any financial manner whatever by an appropriation or fund made for the support of another.

It appears that the deficit cash balances were allowed to occur as a result of inadequate monitoring of cash flow requirements.

We recommend the city officials institute policies and procedures to monitor individual fund cash requirements. We further recommend, should it become apparent that a cash deficit may occur within a fund, the city provide a temporary interfund loan.

3. Annual Financial Reports Should Be Accurate And Submitted Within The Prescribed Period

The city did not submit its 1992 annual financial report within the prescribed reporting period. The report for 1992 was submitted in September 1993. It contained numerous errors which were corrected during the course of the audit.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor . . .

Such reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

According to city officials, both the late submission and the inaccuracies were mainly due to a staff turnover and the conversion from a manual accounting system to an automated system.

Late and inaccurate annual financial reports result in decreased accountability to city officials, the public, and other interested parties.

We recommend the city officials develop procedures to ensure that the annual reports are accurate and submitted in a timely manner.

4. City Equipment And Materials Should Be Used For Official Purposes Only

On November 5, 1993, the city mayor notified the Office of State Auditor of a potential misappropriation of equipment and materials. As a result, we expanded the scope of our audit to cover these additional issues. Patrick J. Manley, the ex-public works director for the City of Langley, used the city's paint striping equipment on private jobs. In addition, he was paid for the installation of city owned materials on private property. The value of the use of the equipment is estimated at \$90. The city owned materials cost \$200.96 including sales tax and an allocation of delivery charges.

The use of city materials for private purposes is prohibited by the Washington State Constitution and state statutes as follows:

Article 11, Section 14 of the Washington State Constitution states:

Private use of public funds prohibited. The making of profit out of county, city, town, or other public money, or using the same for any purpose not authorized by law, by any officer having the possession or control thereof, shall be a felony, and shall be prosecuted and punished as prescribed by law.

RCW 42.20.010 states in part:

Misconduct of public officer. Every public officer who shall--

(3) Employ or use any person, money, or property under his official control or direction, or in his official custody, for the private benefit or gain of himself or another;  
Shall be guilty of a gross misdemeanor . . . .

We recommend the City of Langley seek recovery of the misappropriated \$290.96 and related audit/investigation costs of \$405.68. We further recommend the Washington State Office of the Attorney General and the Island County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for the public works director is as follows:

Association of Washington Cities Risk  
Management Service Agency (Pool)  
Blanket Employee Dishonesty Bond including Faithful Performance  
\$250,000 each loss.  
February 1, 1993 to January 1, 1994.